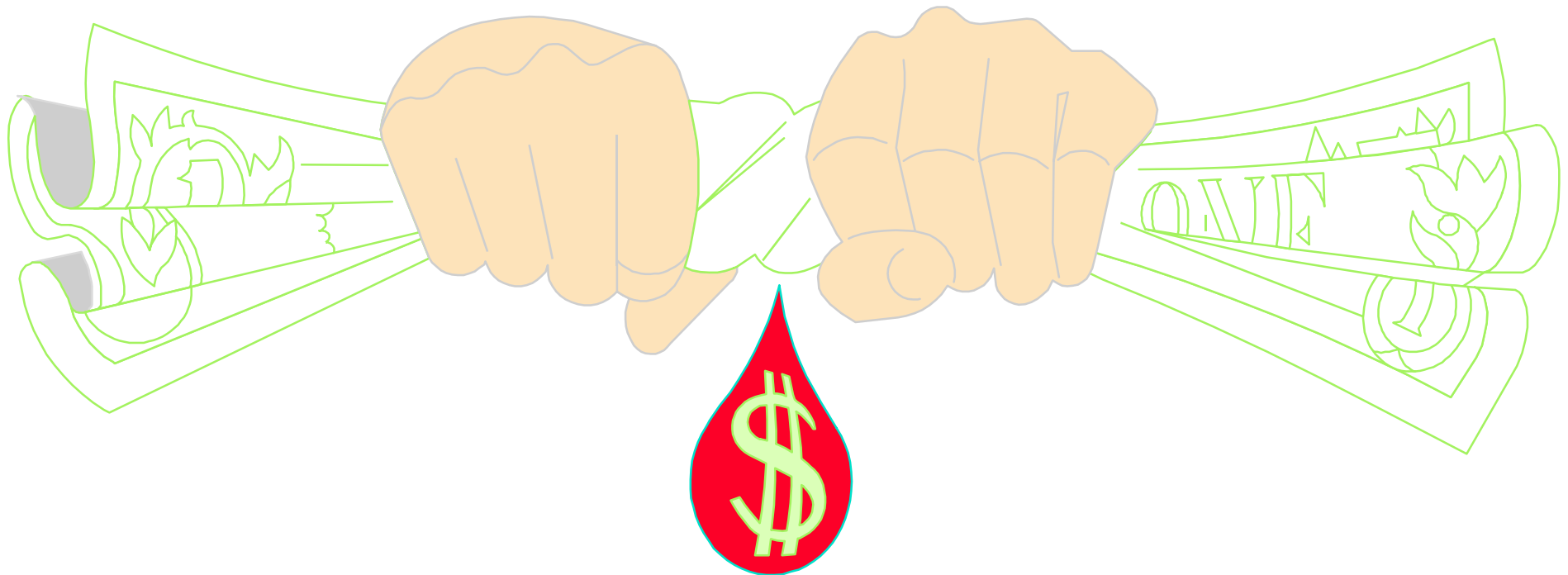




Reducing Total Ownership Cost of Naval Forces



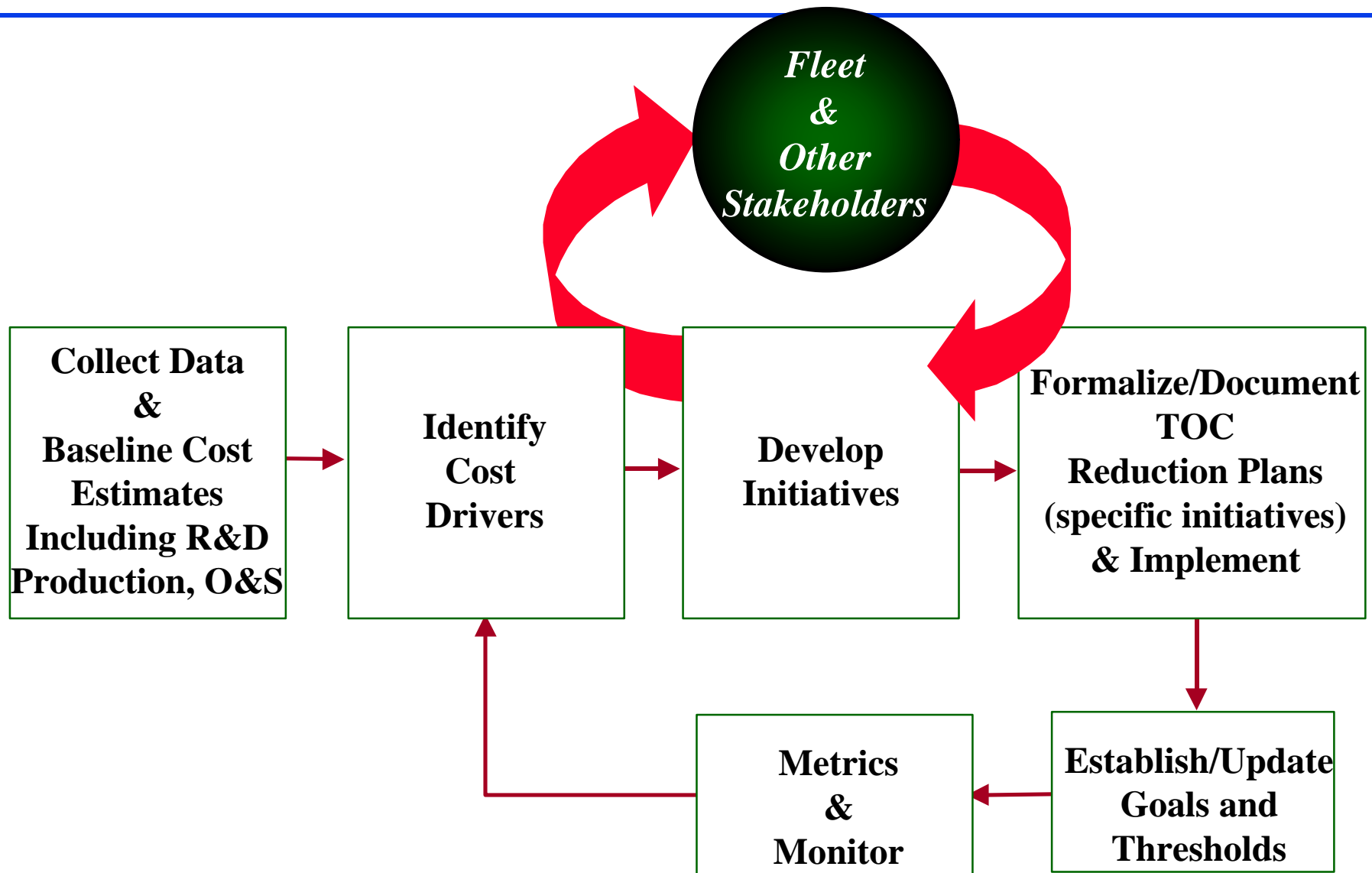
Department of the Navy TOC Plan Update

***Mr. Pat Tamburrino, Jr.
30 July 1998***

Navy Approach - Review

- ◆ **Aggressive Plan Approved and in Place**
- ◆ **Plan Will Cover ALL Navy Programs Regardless of ACAT or Life Cycle Stage**
 - Generic Templates & Guidebook **Complete**
 - SAE Guidance Issued **Complete**
 - Train Commands **Complete**
 - Feedback on Process/templates **Current Activity**
 - TOC Reduction Programs in Place **ACAT I/II, Dec 98**
ACAT III/IV, Jun 99

Process Roadmap



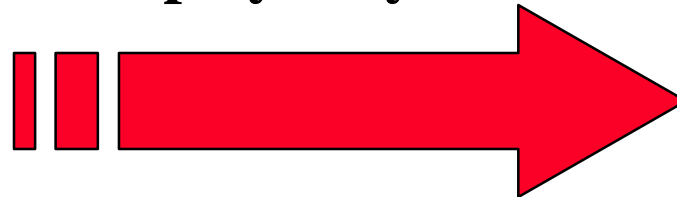
The PM's Dilemma - The Current Challenge

Program Managers
have



Cradle to
Grave Cognizance

But Lack of direct Control
Over Major Cost Drivers
for deployed systems



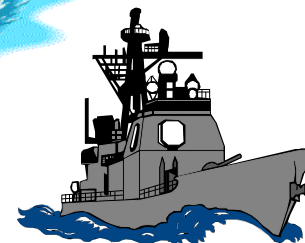
Major Shore Support
Activities



Manpower



Fleet Operations



Engagement of Fleet Activities
Still a **MAJOR** challenge

NAVSEA TOC Implementation

- ◆ **NAVSEA Guidance Letter Issued in May, 1998**
 - Engaged Senior Leadership in TOC Efforts
- ◆ **TOC Working Group Formed Consisting of Functional Directorate & PEO Representatives**
 - Meets weekly to develop specific policy statements for NAVSEA TOC implementation
 - » Examples: WBS Structure; Direct vs. Indirect Costs; Personnel Costs
- ◆ **TOC Template Process Well Underway**
 - Prototype Templates available early August
- ◆ **Programs used to identify/resolve Problems**
 - VLS & MK48 Torpedo --- “group effort --- learn as we go”

NAVSEA TOC Implementation (cont'd)

◆ NAVSEA Website Functional

URL: <http://www.navsea.navy.mil/sea017/TOC.htm>

- ✓ First of Its Kind in DoD --- Often Copied
- ✓ Templates and Guidebooks Reside Here
- ✓ Complete Access to Generic Info Across DoD

NAVAIR TOC Implementation

- ◆ **TOC/Affordable Readiness Implementation Team Formed**
 - Meets weekly
 - TOC Templates completed
 - H-60 and JSOW Programs proofing templates/process
- ◆ **Implementation Memo Drafted for Deputy Commander for Acquisition & Operations Signature**
 - Incorporate H-60 and JSOW Process Lessons Learned Into Implementation Guidance
- ◆ **Prepare Memo to ASN(RD&A) Outlining NAVAIR Implementation Issues and Recommended Approach**
- ◆ **NAVAIR TOC Website Under Development**

SPAWAR TOC Implementation Status

- ◆ Working the initiative through an IPT, which consists of representatives from all PM's and PEO's.
- ◆ Conducted Training for the Command.
- ◆ Reconciling TOC WBS With the Command Activity Based WBS.
- ◆ Prepared a Draft TOC Management Plan for the PM on the SPAWAR Website.
- ◆ All Programs Begun Updating Their APB's.
- ◆ Some Programs Have Begun Developing Cost Reduction Plans.
- ◆ Evaluating Several TOC Models and Databases.
- ◆ Working With NCCA to Develop a C4ISR Module in VAMOSC.

Marine Corps Systems Command TOC Implementation Status

- ◆ **TOC Team Established Within Command**
- ◆ **TOC Implementation Plan developed**
- ◆ **Information Gathering Phase in Process**
 - Data sources --- potential problem to be resolved

VAMOSC Status

- ◆ **VAMOSC Improvements/modernization essential to TOC Reduction Efforts**
- ◆ **VAMOSC Needs:**
 - Increased Breadth - Increase Cost Coverage upward from approx. 60% of TOC
 - » Particularly Critical for ACAT III- IV Programs
 - Increased Depth - Enhanced Visibility of Cost Drivers and Underlying Cost Detail
 - Integration With Other Navy Data Sources
- ◆ **DoN Has Identified the Scope of Problem and Is Working to Find Funding Sources for a Proposed VAMOSC Improvement Plan**
 - Supports the Development of Accurate Baselines and Realistic/achievable Cost Reduction Goals
 - Nonrecurring Effort to Identify, Research and V&V Data Sources
 - Recurring Effort to Collect, Process and V&V Data

VAMOSC TOC

◆ Lack of Identified Funding Prohibits Large Scale TOC Improvements

- Concentrating on High Cost Areas Not Currently in VAMOSC
 - » Indirect Infrastructure
 - » Program Manager Cost for Systems Covered and Not Covered
- Increasing Access to Database

◆ Data Improvements

- Improving Data Sources
- Improving Validation and Verification
- Improvement Required for Data Collection Process

VAMOSC TOC

High

◆ Completing TOC Priorities

- Completeness of TOC Cost Element Structure
 - » Direct Personnel Costs
 - ◆ All Pay and Allowances
 - » Indirect Personnel Costs
 - ◆ PCS, Government Housing, Retirement Accrual, Etc.
 - » Training
 - ◆ All CNET Managed Training
 - » Contractor Logistics Support
 - » Indirect/infrastructure
 - ◆ Prototype Database - Linked and Non-linked Data
 - ◆ Allocation Methodology - TBD
 - » Other Costs - When Identified
- Breadth
 - » Project to Increase Coverage of NAVSEA Systems
- Depth
 - » Drill-down Capability Required

Priority

Low

Incentives Policy Offsite

- ◆ **DoN Effort to Develop a Gainsharing Policy Guidance**
- ◆ **Offsite Sponsored by the ACE**
 - Expect Draft Policy late this summer
- ◆ **“Drive Out the Fear” is the Driver**
 - Allows PM’s to Bring Good Ideas to Table for TOC
 - Reduce Probability of Budget Reductions in Advance of TOC Realization
 - Allow Investment Dollars to be identified for TOC Efforts

Navy Implementation Issues

◆ TOC Reduction Initiatives Require Investment

- Limited Resources Available for Analysis and Non-recurring Costs
- Need to Formalize As Part of POM Process
- Need DoN “Seed Money” for Good Ideas

◆ Alleviate PM Concerns

- Identification of potential cost savings/avoidance will be returned to investment accounts
 - » Do not use as rationale for near-term budget decrements
- Avoid Double Counting Associated With Common Equipment
 - » Platform and Equipment Program Both Capture Cost Avoidance --- allocate to one only

Navy Implementation Issues (cont'd)

- ◆ Institutionalize funding of VAMOSOC improvements
- ◆ Identify & resolve any inconsistencies in Metrics Templates Between SYSCOMS
- ◆ Increase day-to-day coordination of TOC and related efforts in DoN
 - TOC Focal Points come from SYSCOM's
 - DSAC and ABC Reps come from ASN(RD&A), N4
 - VAMOSOC Sponsored by ASN(FM)

TOC Reduction Is Not a Simple Undertaking & the Process Will Evolve Over Time

Conclusions

- ◆ **TOC Implementation Efforts Apparent Across All SYSCOM's**
- ◆ **Data Collection Effort a Major Concern**
- ◆ **Engagement of Fleet and Resource Sponsors Critical**
- ◆ **TOC Reduction is an Iterative/Continuous Process**
 - Need to Maintain Original Baseline As Programmatic Changes Occur to Measure Progress
 - Many Programmatic and Financial Factors Are Outside of Program Manager's Control

Overall Assessment = Yellow

